Supreme Court, U.S.
FILED
JAN 4 2002
CLERK

(3)

No. 01-408

IN THE

Supreme Court of the United States

THE HOLMES GROUP, INC.,

Petitioner,

—against—

VORNADO AIR CIRCULATION SYSTEMS, INC.,

Respondent.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONER

JAMES W. DABNEY
Counsel for Petitioner
1155 Avenue of the Americas
New York, New York 10036
(212) 790-9090

PAUL IZZO
TIMOTHY P. GALLOGLY
THE HOLMES GROUP, INC.
Milford Massachusetts

ARTHUR R. MILLER
1755 Massachusetts Avenue
Cambridge, Massachusetts

Marcia H. Sundeen
Carol M. Wilhelm
PENNIE & EDMONDS LLP
New York, New York
Of Counsel

January 4, 2002

4500

QUESTIONS PRESENTED

Petitioner commenced this civil action in the United States District Court for the District of Kansas. Petitioner's complaint sought injunctive, monetary, and declaratory relief under 15 U.S.C. § 1125(a) and applicable state law. In March 2000, the District Court granted summary judgment in favor of Petitioner on its First Cause of Action, holding that Petitioner's "sale of its fan and heater products does not infringe any valid or enforceable 'trade dress' claimed by [Respondent] under 15 U.S.C. §§ 1051 et seq." Final judgment was then entered in favor of Petitioner pursuant to Rule 54(b) of the Federal Rules of Civil Procedure.

Respondent timely filed a Notice of Appeal from the District Court's judgment; however, instead of appealing to the Court of Appeals for the Tenth Circuit, Respondent directed its appeal to the Court of Appeals for the Federal Circuit. Respondent contended that the Federal Circuit had appellate jurisdiction under 28 U.S.C. § 1295(a)(1), not based on anything pleaded in Petitioner's complaint or decided by the District Court, but based on Respondent's having included, in its answer, a counterclaim against Petitioner for alleged patent infringement. The Respondent's counterclaim was extraneous to the District Court's jurisdiction to hear Petitioner's suit and formed no part of the judgment from which Respondent had appealed. In its brief filed with the Federal Circuit, Petitioner urged that Respondent's appeal be dismissed for lack of appellate jurisdiction or, alternatively, transferred to the Tenth Circuit pursuant to 28 U.S.C. § 1631.

On June 5, 2001, the Federal Circuit summarily vacated the District Court's judgment and remanded for further

proceedings. In direct conflict with decisions of this Court, the Federal Circuit has taken the position that a plaintiff's well-pleaded complaint does not determine whether a civil action is one "arising under" federal patent law for purposes of 28 U.S.C. §§ 1295(a)(1) and 1338(a). Rather, according to the Federal Circuit, the answer of a defendant must be consulted to determine whether a case is one "arising under" federal patent law; and if a defendant's answer includes a patent law counterclaim *against* the plaintiff, then, as exemplified by the decision below, the Federal Circuit rule is that the defendant's pleading purportedly operates to change the basis of a district court's jurisdiction and cuts off regional Circuit jurisdiction over the plaintiff's suit.

The Federal Circuit's interpretation of 28 U.S.C. §§ 1295(a)(1) and 1338(a) purports to displace vast sectors of regional Circuit jurisdiction and to vest in defendants, rather than plaintiffs, control over what appellate court will determine, and what law may govern, broad categories of claims arising under copyright, trademark, antitrust, contract, defamation, and other non-patent laws.

The questions presented are:

1. Does 28 U.S.C. § 1295(a)(1) divest regional Circuits of jurisdiction over cases in which the well-pleaded complaint of the prevailing plaintiff does not allege any claim arising under federal patent law?

2. Did the Court of Appeals for the Federal Ci. uit err in concluding that this action is a "patent case," that is, a "civil action arising under" federal patent law for purposes of 28 U.S.C. §§ 1295(a)(1) and 1338(a)?

CORPORATE DISCLOSURE STATEMENT

Petitioner hereby identifies Berkshire Partners L.L.C. as a parent corporation owing 10% or more of Petitioner's stock. No publicly held company owns 10% or more of the stock of the Petitioner.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
CORPORATE DISCLOSURE STATEMENT	iii
TABLE OF CONTENTS	iv
TABLE OF AUTHORITIES	v
OPINIONS BELOW	1
STATEMENT OF JURISDICTION	1
STATUTORY PROVISIONS INVOLVED	1
STATEMENT OF THE CASE	1
SUMMARY OF ARGUMENT	12
ARGUMENT	15
I. FEDERAL CIRCUIT JURISDICTION UNDER 28 U.S.C. § 1295(a)(1) IS LIMITED TO CASES "ARISING UNDER" FEDERAL PATENT LAW.	15
II. THE FEDERAL CIRCUIT ERRED IN DETERMINING THAT THIS CIVIL ACTION IS A "PATENT CASE" FOR PURPOSES OF 28 U.S.C. §§ 1338(a) AND 1295(a)(1).	23
CONCLUSION	32

TABLE OF AUTHORITIES

Page

CASES

Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd., 895 F.2d 736 (Fed. Cir. 1990) ... 25-26, 27, 28-29, 30

American Well Works Co. v. Layne & Bowler Co., 241 U.S. 257 (1916) 13

Archer v. Arms Tech., Inc., 72 F. Supp. 2d 784 (E.D. Mich. 1999) 20

Arkla, Inc. v. United States, 37 F.3d 621 (Fed. Cir. 1994), *cert. denied*, 514 U.S. 1035 (1995) 7

Atari, Inc. v. JS&A Group, Inc., 747 F.2d 1422 (Fed. Cir. 1984) (*en banc*) 9-10, 24, 29

Bell Atlantic Mobile, Inc. v. Zoning Board of Butler Township, 138 F. Supp. 2d 668 (W.D. Pa. 2001) 20

Boone v. DuBose, 718 F. Supp. 479 (M.D. La. 1988) 21

Cable Elec. Prods., Inc. v. Genmark, 770 F.2d 1015 (Fed. Cir. 1985) 6

Page

Caterpillar Inc. v. Williams,
482 U.S. 386 (1987) 12, 13, 19, 20, 21, 22, 23

Christianson v. Colt Indus. Operating Corp,
486 U.S. 800 (1988) ..... *passim*

Christianson v. Colt Indus. Operating Corp.,
609 F. Supp. 330 (N.D. Ill. 1985) 16

Civil City of South Bend v. Consolidated Rail Corp.,
880 F. Supp. 595 (N.D. Ind. 1995) 20

Commercial Sales Network v. Sadler-Cisar, Inc.,
755 F. Supp. 756 (N.D. Ohio 1991) 21

Cook v. Georgetown Steel Corp.,
770 F.2d 1272 (4th Cir. 1985) 13, 20

DSC Communications Corp. v. Pulse Communications, Inc.,
170 F.3d 1354 (Fed. Cir.),
cert. denied, 528 U.S. 923 (1999) 24-25

Duckson, Carlson, Bassinger, LLC v. Lake Bank, N.A.,
139 F. Supp. 2d 1117 (D. Minn. 2001) 20

FDIC v. Elefant,
790 F.2d 661 (7th Cir. 1986) 20

Fauntleroy v. Lum,
210 U.S. 230 (1908) 7

Page

Franchise Tax Board v. Construction Laborers Trust,
463 U.S. 1 (1983) 12, 18, 25, 27

Great Northern Ry. Co. v. Alexander,
246 U.S. 276 (1918) 19, 22-23

Healy v. Sea Gull Specialty Co.,
237 U.S. 479 (1915) 12, 19, 21-22, 24, 28

Hunter Douglas, Inc. v. Harmonic Designs, Inc.,
153 F.3d 1318 (Fed. Cir. 1998),
cert. denied, 525 F.2d 1143 (1999) 10

Ident Corp. of America v. Wendt,
638 F. Supp. 116 (E.D. Mo. 1987) 21

In re Adams,
809 F.2d 1187 (5th Cir. 1987) 20

In re Independent Service Organizations Antitrust Litigation,
203 F.3d 1322 (Fed. Cir. 2000),
cert. denied, 121 S. Ct. 1077 (2001) 10

Jim Arnold Corp. v. Hydrotech Sys., Inc.,
109 F.3d 1567 (Fed. Cir.),
cert. denied, 522 U.S. 933 (1997) 14

Lear, Inc. v. Adkins,
395 U.S. 653 (1969) 13

Page

Louisville & Nashville R. Co. v. Mottley,
211 U.S. 149 (1908) 20

Marshall v. Gibson's Prods., Inc.,
584 F.2d 784 (5th Cir. 1978) 20

McDonald v. Credithrift of America, Inc.,
661 F.2d 69 (5th Cir. 1981) 21

Merrell Dow Pharm. Inc. v. Thompson,
478 U.S. 804 (1986) 12, 19, 24, 28

Metro Ford Truck Sales, Inc. v. Ford Motor Co.,
145 F.3d 320 (5th Cir. 1998) 20

Metropolitan Life Ins. Co. v. Taylor,
481 U.S. 58 (1987) 18

Midwest Indus., Inc. v. Karavan Trailers, Inc.,
175 F.3d 1356 (Fed. Cir.),
cert. denied, 528 U.S. 1019 (1999) 6, 10, 24, 30

Nobelpharma AB v. Implant Innovations, Inc.,
141 F.3d 1059 (Fed. Cir),
cert. denied, 525 U.S. 876 (1998) 9, 10

Pan American Petroleum Corp. v. Superior Court,
366 U.S. 656 (1961) 12, 19, 20

Pratt v. Paris Gas Light & Coke Co.,
168 U.S. 255 (1897) 13

Page

Price v. Alfa Mut. Ins. Co.,
877 F. Supp. 597 (M.D. Ala. 1995) 20-21

Rath Packing Co. v. Becker,
530 F.2d 1295 (9th Cir. 1975),
aff'd sub nom. Jones v. Rath Packing Co.,
430 U.S. 519 (1977) 20

Reed v. Cohen,
876 F. Supp. 25 (E.D.N.Y. 1995) 21

Rivet v. Regions Bank,
522 U.S. 470 (1998) 20

Saturday Evening Post Co. v. Rumbleseat Press, Inc.,
816 F.2d 1191 (7th Cir. 1987) 13, 20

Shamrock Oil Corp. v. Sheets,
313 U.S. 100 (1941) 27

Shannon v. Shannon,
965 F.2d 542 (7th Cir. 1992) 20

Speedco Inc. v. Estes,
853 F.2d 909 (Fed. Cir. 1988) 29

Stone v. Williams,
792 F. Supp. 749 (M.D. Ala. 1992) 21

Takeda v. Northwestern Nat'l Life Ins. Co.,
765 F.2d 815 (9th Cir. 1985) 13, 20

Page

Taylor v. Anderson,
234 U.S. 74 (1914) 18

Texas v. Walker,
142 F.3d 813 (5th Cir. 1998) 20, 21

The Fair v. Kohler Die & Specialty Co.,
228 U.S. 22 (1913) 12, 19, 22, 28

TrafFix Devices v. Marketing Displays, Inc.,
121 S. Ct. 1255 (2001) 6, 7, 11, 31

Van Dusen v. Barrack,
376 U.S. 612 (1964) 24

Video Connection of America, Inc. v. Priority Concepts, Inc.,
625 F. Supp. 1549 (S.D.N.Y. 1986) 21

Vornado Air Circulation Sys., Inc. v. Duracraft Corp.,
58 F.3d 1498 (10th Cir. 1995),
cert. denied, 516 U.S. 1067 (1996) ..... *passim*

Wallace v. Weidenbeck,
985 F. Supp. 288 (N.D.N.Y. 1998) 20

Williams v. North Carolina,
317 U.S. 287 (1942) 7

Page

Yamaha Corp. v. United States,
961 F.2d 245 (D.C. Cir. 1992),
cert. denied, 506 U.S. 1078 (1993) 7

Zenith Electronics Corp. v. Elotouch Sys., Inc.,
182 F.3d 1340 (Fed. Cir. 1999) 10

STATUTES

15 U.S.C. § 15 17

15 U.S.C. § 1121 ..... 1, 2

15 U.S.C. § 1125(a) ..... i, 2, 3, 6, 10

19 U.S.C. § 1337 3

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1295(a)(1) ..... *passim*

28 U.S.C. § 1331 ..... 1, 2, 16

28 U.S.C. § 1332(a) 1, 2

28 U.S.C. § 1338(a) ..... *passim*

28 U.S.C. § 1367 ..... 1, 2

28 U.S.C. § 1404(a) 24

Authorities

	Page
28 U.S.C. § 1631	i, 11
28 U.S.C. § 1651(a)	3
35 U.S.C. § 112	16, 17, 28
MASS. GEN. L. ch. 93A, §§ 2 and 11	2
RULES	
FED R. CIV. P. 3	12, 20
FED. R. CIV. P. 13	20
FED. R. CIV. P. 41(a)(2)	10
FED. R. CIV. P. 54(b)	i, 8
CONGRESSIONAL MATERIALS	
S. REP. NO. 97-275 (1981)	24
H.R. REP. NO. 97-312 (1981)	17
TREATISES	
14B C. WRIGHT, A. MILLER & E. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3722 (3d ed. 1998)	19, 26
18 J. MOORE, MOORE'S FEDERAL PRACTICE § 132.03[6][a] (3d ed. 2000)	7

OPINIONS BELOW

The opinion of the Court of Appeals is unreported and appears in the Joint Appendix ("JA") at JA33-34. The opinion of the District Court is reported at 93 F. Supp. 2d 1140 and appears at JA88-98. The final judgment of the District Court appears at JA99-100.

STATEMENT OF JURISDICTION

The judgment of the Court of Appeals was entered on June 5, 2001. No petition for rehearing was filed. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

The District Court had jurisdiction to hear Petitioner's claims under 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1332(a), and 1367. In the decision below, the Court of Appeals for the Federal Circuit purported to exercise appellate jurisdiction under 28 U.S.C. § 1295(a)(1).

STATUTORY PROVISIONS INVOLVED

This case involves the scope of Federal Circuit appellate jurisdiction under 28 U.S.C. § 1295(a)(1), which in turn is governed by the "well-pleaded complaint rule" of 28 U.S.C. § 1338(a). The text of these statutory provisions is reprinted at JA104-05.

STATEMENT OF THE CASE

Petitioner manufactures and sells HOLMES® brand consumer household products, including household fan and heater fan products. Respondent is a competitor of Petitioner in the United States fan and heater business. Both parties

manufacture and sell axial-flow fan and heater fan products whose outlet grill structures incorporate a series of arcuate or curved vanes for directing air flow.

In *Vornado Air Circulation Sys., Inc. v. Duracraft Corp.*, 58 F.3d 1498 (10th Cir. 1995), *cert. denied*, 516 U.S. 1067 (1996) ("*Vornado I*"), the Court of Appeals for the Tenth Circuit held that the "arcuate grill vane structure" incorporated in certain fan and heater products sold by Respondent "cannot be protected as trade dress" under 15 U.S.C. § 1125(a). *Id.* at 1510 (Lodging ["L"] at L60). Despite this holding, the Respondent, in late 1999, issued a press release and otherwise publicly accused Petitioner of "infringing" exactly the same alleged "trade dress" that had been held invalid and unprotectable in *Vornado I* (JA47-48).[1]

Petitioner commenced this civil action on December 8, 1999, in the United States District Court for the District of Kansas. Petitioner's complaint (L1-86) set forth seven causes of action against Respondent: (1) declaratory judgment of non-liability under 15 U.S.C. § 1125(a); (2) violation of MASS. GEN. L. ch. 93A, §§ 2 and 11; (3) violation of 15 U.S.C. § 1125(a); (4) tortious interference with prospective economic advantage; (5) defamation; (6) unfair competition; and (7) injurious falsehood (L2-15). Petitioner's complaint invoked jurisdiction under "15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1332(a), and the principles of supplemental jurisdiction codified in 28 U.S.C. § 1367" (L2).

1. Descriptions of the Respondent's actions giving rise to this action appear in the Declaration of Paul J. Powers, sworn to December 17, 1999, the Declaration of Francis E. Marino, sworn to December 17, 1999, and the Declaration of James W. Dabney sworn to December 17, 1999, and filed with the District Court (JA13-15).

On December 17, 1999, Petitioner moved for a preliminary injunction restraining Respondent from falsely claiming, in commercial advertising or promotion, that HOLMES® products sold by Petitioner purportedly infringed "trade dress" rights claimed by Respondent under 15 U.S.C. § 1125(a) (JA13). On January 4, 2000, the District Court issued an "Order Granting Preliminary Injunction" (JA84-86) under which Respondent was "enjoined and restrained from making or permitting to be made, in commercial advertising or in the marketplace, directly or indirectly, any claim . . . to the effect that Holmes or any Holmes product infringes any ostensible Vornado trade dress rights in spiral grill designs. . . . " (JA85-86).[2]

On January 7, 2000, Petitioner moved for summary judgment on its First Cause of Action seeking a declaratory judgment that its sale of HOLMES® products does not infringe any valid or enforceable "trade dress" rights claimed by Respondent under 15 U.S.C. § 1125(a). Petitioner's motion was granted by Order dated March 8, 2000. *Holmes*

2. In addition to seeking preliminary injunctive relief against false advertising by Respondent in the marketplace, Petitioner sought an order under 28 U.S.C. § 1651(a) (L10) restraining Respondent from attempting to re-litigate its purported "trade dress" claim in the context of a quasi-judicial, administrative "investigation" proceeding under 19 U.S.C. § 1337 before the International Trade Commission ("ITC"), with which Respondent had lodged a complaint on November 24, 1999 (L7-8, L61-86). The District Court denied the latter aspect of Petitioner's motion for preliminary injunctive relief (JA86), ruling that "Vornado shall not be required to withdraw its complaint lodged with the ITC nor enjoined from cooperating with any future ITC investigation" (JA86). The ITC subsequently instituted Investigation No. 337-TA-426 (the "ITC proceeding"). *See* 65 Fed. Reg. 4260 (Jan. 26, 2000). The ITC proceeding was ultimately terminated on July 20, 2000, with no action having been taken against Petitioner. *See* 65 Fed. Reg. 45999 (July 26, 2000).

Group, Inc. v. Vornado Air Circulation Systems, Inc., 93 F. Supp. 2d 1140 (D. Kan. 2000) (JA88-98).

The District Court concluded that the final judgment of invalidity rendered in the *Vornado I* case collaterally estopped Respondent from re-litigating the validity of the same alleged "trade dress" that had been the subject of the earlier case:

> [T]his Court previously entered a valid and final judgment in *Vornado I* and the Tenth Circuit law upon which that decision was based has not been changed. Under principles of collateral estoppel, the ruling in *Vornado I* bars Vornado from re-litigating the same issue in this action. Accordingly, Holmes is entitled as a matter of law to judgment declaring that it has not infringed Vornado's asserted trade dress rights.

Id. at 1144-45 (JA98).

The District Court noted Respondent's argument that the Federal Circuit, rather than the Tenth Circuit, assertedly would have appellate jurisdiction over this case based on the contents of an answer that Respondent had served in response to Petitioner's complaint,[3] but concluded:

3. In an Answer served December 30, 1999 (L87-147), Respondent asserted a counterclaim against Petitioner (L98-100) alleging that one of the products accused of "trade dress" infringement assertedly infringed a patent owned by Respondent. Based on this answer and counterclaim, the District Court noted that "it is possible (although not entirely certain) that any appeal of this court's judgment will be to the Federal Circuit," 93 F. Supp. 2d at 1143 (JA94), and further noted that Petitioner had disputed Respondent' suggestion that its counterclaim ousted the Tenth Circuit of jurisdiction. *Id.* at 1143 n.2 (JA95).

"This court does not need to stray into this procedural thicket to decide the issue before it. Regardless of which Court of Appeals would have jurisdiction, the court determines the principles of collateral estoppel should be applied in this case." *Id.* at 1143 n.2 (JA95).

The District Court viewed the legal effect of its prior judgment in *Vornado I* as being a question of "Tenth Circuit law." *Id.* at 1143-44 (JA95, 98). The District Court applied the Tenth Circuit collateral estoppel standard and found that "[t]he elements of collateral estoppel are clearly satisfied in this case":

> The trade dress now claimed by Vornado is identical to that which it asserted in *Vornado I*; *Vornado I* was decided on the merits; Vornado was a party to the prior action; and Vornado had a full and fair opportunity to litigate the issue in the prior action.

Id. at 1142 n.1 (JA93).

At oral argument before the District Court, counsel for Respondent conceded (JA56) that the final judgment in *Vornado I* remained valid and binding with respect to fan and heater fan products being sold by Petitioner's competitor, Honeywell Inc. f/k/a Duracraft Corp, which had been the prevailing party in *Vornado I*.[4] The District Court further observed that "since *Vornado I*, Holmes and other companies have manufactured various products in reliance upon the rule

4. *See* JA56 (MR. GOWDEY: "I think Vornado has to live with the results of the Tenth Circuit in terms of how it affected Duracraft and in fact, Honeywell bought Duracraft so they get the benefit of that. We cannot affect them, we have to live with that.").

expressed in that case," *id*. at 1144 n.3 (JA97), so that "failure to apply collateral estoppel here would likely create a baffling state of legal affairs insofar as manufacture of these products is concerned." *Id.*

The District Court rejected Respondent's contention that a 1999 decision of the Court of Appeals for the Federal Circuit represented a "change in the law" warranting re-litigation of whether the arcuate or "spiral" grill configuration embodied in Vornado fan and heater products was eligible for protection as "trade dress" under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). 93 F. Supp. 2d at 1143 (JA94-96). The cited decision of the Federal Circuit did not represent any "change" in substantive "trade dress" principles, even within the Federal Circuit.[5] Equally important, the

5. In *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir.), *cert. denied*, 528 U.S. 1019 (1999), *overruled by TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001), the Federal Circuit held that it would start applying "its own" law, in place of regional Circuit law, in determining whether or to what extent product configurations were protectable as "trade dress" under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). *Id.* at 1361, *overruling Cable Elec. Prods., Inc. v. Genmark*, 770 F.2d 1015, 1029 (Fed. Cir. 1985). The Federal Circuit then proceeded to reiterate its long-standing view – which the Tenth Circuit had rejected in *Vornado I* – that any product configuration could be protectable as "trade dress" under the Lanham Act unless found to be "functional" in a federal common law sense of having "such utility that its protection would hinder competition." *Id* at 1361-62 (citing authorities).

In *TrafFix*, this Court resolved the conflict that had existed between the *Midwest* and *Vornado I* decisions, 121 S. Ct. at 1259, and did so by (a) rejecting the standard of "functionality" articulated by the Federal Circuit in *Midwest*, and (b) embracing a standard of "functionality" that was and is fully consistent with both the reasoning and the holding of the Tenth Circuit in *Vornado I*. *Id*. at 1261-62.

enforceability of a final judgment has never depended on the state of the substantive law of a court or jurisdiction asked to enforce the judgment:

> The fact that the substantive law may be different in the two jurisdictions does not affect the application of issue preclusion. Therefore, different interpretations of a statute between circuit courts of appeal would not affect the application of issue preclusion to a sister court's previously litigated issue.

18 J. MOORE, MOORE'S FEDERAL PRACTICE § 132.03[6][a] (3d ed. 2000). *See, e.g., Arkla, Inc. v. United States*, 37 F.3d 621, 626-27 (Fed. Cir. 1994), *cert. denied*, 514 U.S. 1035 (1995); *Yamaha Corp. v. United States*, 961 F.2d 245, 258 (D.C. Cir. 1992), *cert. denied*, 506 U.S. 1078 (1993).[6]

Thus, in the District Court's view, the long-standing (and since resolved, *see TrafFix*, 121 S. Ct. 1261-62) "conflict in the substantive law" between the Federal Circuit and the Tenth Circuit "does not require, nor does it warrant, a refusal to apply the law of collateral estoppel in this action." 93 F. Supp. 2d at 1143 (JA95-96):

> Vornado had a full and fair opportunity to litigate its trade dress claim against another manufacturer,

6. *Cf. Williams v. North Carolina*, 317 U.S. 287, 294 (1942) (judgment of divorce entitled to full faith and credit, notwithstanding that grounds for divorce were not recognized in jurisdiction where judgment was presented as defense); *Fauntleroy v. Lum*, 210 U.S. 230, 236-38 (1908) (judgment for money damages entitled to full faith and credit, notwithstanding that claim would not be enforceable if brought in jurisdiction where judgment sought to be enforced).

> and that claim was ultimately decided against Vornado by the Tenth Circuit. Vornado petitioned the Supreme Court to review the ruling, but the Court declined to do so, leaving intact this court's resulting judgment that Vornado was barred from claiming trade dress rights in its grill design. The Tenth Circuit law upon which that judgment was based has not changed since *Vornado I*, and the court sees nothing to substantiate Vornado's hopeful speculation that if the Tenth Circuit were to revisit the issue "it would choose a different path than it articulated in *Vornado I*." Def. Mem. at 5.

On March 27, 2000, the District Court entered a Final Judgment under FED. R. CIV. P. 54(b) that provided in pertinent part (JA99-100):

> Holmes is entitled as a matter of law to judgment declaring that it has not infringed Vornado's asserted trade dress rights [Doc. 72, p. 1]; Plaintiff Holmes' Motion for Summary Judgment on its first cause of action is hereby GRANTED [Doc. 72, p. 12]; and Final Judgment is hereby expressly entered in favor of Holmes and against Vornado on Holmes' first cause of action seeking a declaratory judgment holding that Holmes' sale of its fan and heater products does not infringe any valid or enforceable "trade dress" claimed by defendant Vornado under 15 U.S.C. §§ 1051 et seq. [Doc. 72, p. 1].

Notwithstanding that (1) Petitioner's complaint did not allege any claim arising under federal patent law, (2) the

District Court's judgment did not adjudicate any claim that arose under federal patent law, and (3) Respondent was openly attempting to mount a collateral attack on a prior judgment of the Tenth Circuit, Respondent filed a Notice of Appeal directed to the Federal Circuit. The sole purported basis of appellate jurisdiction in was the one noted by the District Court: Respondent's having included, in its answer to Petitioner's complaint, a counterclaim against Petitioner for alleged patent infringement.

According to Respondent, the service of its answer and counterclaim had automatically transformed this civil action into a "patent . . . case," 28 U.S.C. § 1338(a), with the purported result that the Tenth Circuit was ousted of jurisdiction over Petitioner's suit by operation of 28 U.S.C. § 1295(a)(1) (L257-63). Respondent further argued that its answer and counterclaim had effected a fundamental change in the substantive law governing the merits of Petitioner's claims arising under both the Lanham Act and state law (L168-70, L173-80).[7] Respondent's position thus was — and

7. Early in its history, the Federal Circuit justified taking an expansive view of its jurisdiction under 28 U.S.C. § 1295(a)(1) in part on the basis that it would be applying regional Circuit law "in all but the substantive law fields assigned exclusively to this court." *Atari, Inc. v. JS&A Group, Inc.*, 747 F.2d 1422, 1439 (Fed. Cir. 1984) (*en banc*), *overruled by Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1068 (Fed. Cir.), *cert. denied*, 525 U.S. 876 (1998). The Federal Circuit stated in 1984, relatively shortly after the enactment of 28 U.S.C. § 1295(a)(1), that Congress's "passage" of that statute "reflect[ed] its expectation that this court would not appropriate or usurp for itself a broad guiding role for the district courts beyond its mandate to contribute to uniformity of the substantive law of patents, plant variety, and the Little Tucker Act." *Atari*, 747 F.2d at 1438. The Federal Circuit further observed in (Cont'd)

in this Court remains — that the Federal Circuit, rather than the Tenth Circuit, should determine whether a prior judgment of the Tenth Circuit operates to bar Respondent from re-litigating the validity of a "trade dress" claim purportedly grounded in Section 43(a) of the Lanham Act, simply because Respondent's answer to Petitioner's complaint included a patent law counterclaim.[8]

(Cont'd)
1984: "A district court judge should not be expected to look over his shoulder to the law in this circuit, save as to those claims over which our subject matter jurisdiction is exclusive." *Id.* at 1439.

In the late 1990's, however, the Federal Circuit abruptly reversed field and held that it would start fashioning "its own" substantive liability rules for antitrust, "trade dress," and other claims over which it had only pendent or non-exclusive jurisdiction. *E.g.*, *In re Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322, 1324-27 (Fed. Cir. 2000), *cert. denied*, 121 S. Ct. 1077 (2001); *Zenith Electronics Corp. v. Elotouch Sys., Inc.*, 182 F.3d 1340, 1354-55 (Fed. Cir. 1999); *Hunter Douglas, Inc. v. Harmonic Designs, Inc.*, 153 F.3d 1318, 1335-38 (Fed. Cir. 1998), *cert. denied*, 525 U.S. 1143 (1999), *overruled by Midwest*, 175 F.3d at 1359; *Nobelpharma*, 141 F.3d at 1439. The Federal Circuit justified its changed position on the basis that it was, in its words, "the tribunal having sole appellate responsibility for the development of patent law," 175 F.3d at 1360, which "responsibility" was further said to include "decid[ing] what patent law permits and prohibits" when asserted as a defense to a claim arising under non-patent law. *Id.* at 1360-61.

8. Although not germane to the jurisdictional questions before this Court, it may be noted that the Respondent never has pursued its counterclaim for alleged patent infringement. That counterclaim was effectively withdrawn, and all proceedings relating to the counterclaim were indefinitely stayed, as part of a conditional Order of dismissal entered June 12, 2000, pursuant to FED. R. CIV. P. 41(a)(2) (JA101-102). In the event that the summary judgment in favor of Petitioner is affirmed on appeal, the Respondent's counterclaim will be finally dismissed with prejudice (JA102).

As it had done in the District Court (JA42-43, JA94), Petitioner filed a brief with the Federal Circuit (L203-45) contesting that Court's appellate jurisdiction and urging that Respondent's appeal be dismissed for lack of jurisdiction or transferred to the Tenth Circuit pursuant to 28 U.S.C. § 1631 (L216, 228-34). In the alternative, Petitioner urged that the District Court's grant of summary judgment be affirmed (L234-44).

On June 5, 2001, the Court of Appeals for the Federal Circuit issued a two-page Order that simply stated (JA33-34):

> (1) The March 27, 2000 judgment of the United States District Court for the District of Kansas is vacated.
>
> (2) The case is remanded to the United States District Court for the District of Kansas for further proceedings in light of the decision of the Supreme Court of the United States in *TrafFix Devices v. Marketing Displays, Inc.*, 121 S. Ct. 1255 (2001). The district court is directed to consider whether the "change in the law" exception to collateral estoppel applies in view of the *TrafFix* decision, and if appropriate, then to consider the case on the merits.
>
> (3) Each side shall bear its own costs.

SUMMARY OF ARGUMENT

A "civil action" is a legal proceeding "commenced by filing a complaint with the court." FED R. CIV. P. 3. To fall with the exclusive appellate jurisdiction of the Federal Circuit under 28 U.S.C. § 1295(a)(1), a "civil action" must be a "patent . . . case," that is, a "civil action arising under any Act of Congress relating to patents, [or] plant variety protection." 28 U.S.C. § 1338(a). *See Christianson v. Colt Indus. Operating Corp*, 486 U.S. 800, 807-810, 813-14 (1988).

Under *Christianson*, whether a "civil action" is one "arising under" federal patent law, and is thus a "patent case" subject to exclusive Federal Circuit jurisdiction under 28 U.S.C. § 1295(a)(1), depends on whether "a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *Id.* at 809.

The "well-pleaded complaint rule" is a "powerful doctrine," *Franchise Tax Board v. Construction Laborers Trust*, 463 U.S. 1, 9 (1983), which has long provided that "the plaintiff is absolute master of what jurisdiction he will appeal to." *Healy v. Sea Gull Specialty Co*, 237 U.S. 479, 480 (1915) (Holmes, J.), *quoted in Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986). *See also Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987); *Pan American Petroleum Corp. v. Superior Court*, 366 U.S. 656, 662 (1961); *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913) (Holmes, J.).

The cases are legion holding that a counterclaim in a defendant's answer does not, and cannot, transform a "civil action" into one "arising under" federal law for jurisdictional purposes, even when a defendant's counterclaim expressly invokes federal law.[9] Were the rule otherwise, "the plaintiff would be master of nothing." *Caterpillar*, 482 U.S. at 399.

The "well-pleaded complaint rule" often results in regional Circuits or state courts deciding questions of federal patent law. *E.g.*, *Christianson*, 486 U.S. at 819 (regional Circuit had jurisdiction to review antitrust judgment based on alleged procurement of invalid patents); *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) (state court had jurisdiction to determine validity of patent in context of action for breach of a license agreement); *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257 (1916) (state court had jurisdiction to hear action for slander of title arising from allegations of patent infringement); *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897) (state court had jurisdiction to hear action for breach of undertaking to defend against claim of alleged patent infringement).

The exclusive jurisdiction of the Federal Circuit under 28 U.S.C. § 1295(a)(1) thus excludes, by design, a substantial number of cases in which questions and issues of federal

9. *See, e.g.*, *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1195 (7th Cir. 1987) (Posner, J.) ("That federal jurisdiction depends on the complaint rather than on the answer, counterclaim, or other subsequent pleadings is an aspect of the 'well-pleaded complaint' rule. . . ."); *Cook v. Georgetown Steel Corp.*, 770 F.2d 1272, 1275 (4th Cir. 1985) (no "arising under" jurisdiction when only federal issue raised by counterclaim); *Takeda v. Northwestern Nat'l Life Ins. Co.*, 765 F.2d 815, 822 (9th Cir. 1985) (federal law counterclaim did not support "arising under" jurisdiction as basis for removal).

patent law are raised, as the Federal Circuit has itself acknowledged on occasion.[10] Preserving regional Circuit jurisdiction over antitrust, copyright, "trade dress," defamation, and other cases such as the present one, in which the plaintiff's complaint does not depend on federal patent law, is fully consistent with the careful balance that Congress struck in (1) creating exclusive Federal Circuit jurisdiction in 28 U.S.C. § 1295(a)(1), but (2) limiting that jurisdiction to true "patent cases," 28 U.S.C. § 1338(a), i.e., ones "arising under" federal patent law within the meaning of this Court's "'arising under' jurisprudence." *Christianson*, 486 U.S. at 808 n.2.

The instant case clearly is not a "patent case," *i.e.*, a "civil action arising under any Act of Congress relating to patents" within the meaning of 28 U.S.C. §§ 1338(a) and 1295(a)(1). It therefore was clear error for the Federal Circuit to have taken appellate jurisdiction and vacated the District Court's decision in this case. As was done in *Christianson*, the decision of the Federal Circuit should be reversed, and the cause remanded to the Tenth Circuit for further proceedings. Alternatively, the Court should affirm the summary judgment the District Court entered in favor of Petitioner.

---

10. *Cf. Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1571-78 (Fed. Cir.), *cert. denied*, 522 U.S. 933 (1997) (action brought by patent assignor was not one "arising under" federal patent law; judgment vacated for lack of jurisdiction).

ARGUMENT

I. FEDERAL CIRCUIT JURISDICTION UNDER 28 U.S.C. § 1295(a)(1) IS LIMITED TO CASES "ARISING UNDER" FEDERAL PATENT LAW.

28 U.S.C. § 1295(a)(1) provides that Federal Circuit shall have exclusive jurisdiction (JA104):

> (1) of an appeal from a final decision of a district court of the United States . . . , if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title. . . .

28 U.S.C. § 1338(a), in turn, provides (JA105):

> The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

In *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988), this Court held that the "arising under" language of 28 U.S.C. § 1338(a) both defined and limited the scope of the Federal Circuit's appellate jurisdiction under 28 U.S.C. § 1295(a). In particular, *Christianson* held that:

(a) the "arising under" jurisprudence developed under 28 U.S.C. § 1331 applies equally to 28 U.S.C. § 1338(a), 486 U.S. at 807-809, 813-14, notwithstanding that "in this case our interpretation of § 1338(a)'s 'arising under' language will merely determine which of two federal appellate courts will decide the appeal," *id.* at 808 n.2;

(b) the "well-pleaded complaint rule" governs whether a civil action is one "arising under" federal patent law, or not, *id.* at 808-09, 813-14; and

(c) the Federal Circuit lacked jurisdiction over the *Christianson* case, because the plaintiff's complaint in that case did not establish "either that federal patent law create[d] the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims," *id.* at 809, 810-13.

In *Christianson*, this Court vacated a judgment of the Federal Circuit and remanded with instructions to transfer the case to the Court of Appeals for the Seventh Circuit, *id.* at 819, even though the District Court in *Christianson* had "invalidated nine of Colt's patents," *id.* at 806, and even though the plaintiffs in *Christianson* had prevailed at trial on claims alleging that the defendant had wrongfully procured United States patents in alleged violation of the "best mode" requirement of 35 U.S.C. § 112. *See Christianson v. Colt Indus. Operating Corp.*, 609 F. Supp. 330 (N.D. Ill. 1985).

Vacatur of the Federal Circuit's judgment in *Christianson* was required, this Court held, because "the district court's jurisdiction is determined by reference to the well-pleaded complaint, not the well-tried case," 486 U.S. at 814, and neither of the two causes of action pleaded in the *Christianson* plaintiffs' complaint were ones "arising under" federal patent law.[11]

In support of its holding that "the well-pleaded complaint, not the well-tried case, [is] the referent for the Federal Circuit's jurisdiction," *Christianson*, 486 U.S. at 814, this Court cited "[t]he legislative history of the Federal Circuit's jurisdictional provisions" as stating that "cases fall within the Federal Circuit's patent jurisdiction 'in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction.'" *Id.* (quoting H.R. REP. No. 97-312 at 41 (1981)). The Court accordingly had "no more authority to read § 1295(a)(1) as granting the Federal Circuit jurisdiction over an appeal where the

11. The complaint in *Christianson* set forth two causes of action, for federal antitrust liability under 15 U.S.C. § 15 and for tortious interference with business relationships under state law. Both causes of action were based, in part, on allegations that the defendant had published false statements accusing the plaintiffs of misappropriating trade secrets relating to M16 rifle parts that were, or had been, the subject of issued patents. 486 U.S. at 804-06. The plaintiffs alleged that the defendant's liability was established, in part, by the defendant's having allegedly procured patents in violation of the "best mode" requirement of 35 U.S.C. § 112; for if the defendant had complied with that statute, the plaintiff's theory went, the defendant could not have retained any trade secrets in the claimed subject matter disclosed in the patents. The District Court had ruled in favor of the petitioner in *Christianson*, "essentially relying on the [35 U.S.C.] § 112 theory articulated above," *id.* at 806, and had "invalidated nine of Colt's patents." *Id.*

well-pleaded complaint does not depend on patent law, than to read § 1338(a) as granting a district court jurisdiction over such a complaint." 486 U.S. at 813-14.

The jurisdictional framework controlling the present case is the same as it was in *Christianson*, *id.* at 807:

> As relevant here, 28 U.S.C. § 1295(a)(1) grants the Court of Appeals for the Federal Circuit exclusive jurisdiction over "an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on [28 U.S.C.] section 1338. . . ." Section 1338(a), in turn, provides in relevant part that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . ." Thus, the jurisdictional issue before us turns on whether this is a case "arising under" a federal patent statute, for if it is then the jurisdiction of the District Court was based at least "in part" on § 1338(a).

"The 'well-pleaded complaint rule' is the basic principle marking the boundaries of the federal question jurisdiction of the federal district courts." *Metropolitan Life Ins. Co. v. Taylor*, 481 U.S. 58, 63 (1987). "Under the well-pleaded complaint rule, as appropriately adapted to § 1338(a), whether a claim 'arises under' patent law must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration. . . ." *Christianson*, 486 U.S. at 809 (quoting *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10 (1983) (quoting *Taylor v. Anderson*, 234 U.S. 74, 75-76 (1914))).

The "well-pleaded complaint rule" embodies a number of long-established principles of federal court jurisdiction, one of which is the "plaintiff's traditional prerogative of forum selection." 14B C. WRIGHT, A. MILLER & E. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3722, at 453 (3d 1998). Time and time again, this Court has held that "the plaintiff is absolute master of what jurisdiction he will appeal to," *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915) (Holmes, J.), such that "[t]he party who brings a suit is master to decide what law he will rely upon and therefore does determine whether he will bring a suit arising under the patent or other law of the United States by his declaration or bill. *That question cannot depend upon the answer.* . . ." *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1913) (Holmes, J.) (emphasis added).[12] When a plaintiff chooses not to invoke an available basis of federal court jurisdiction, the plaintiff's choice is controlling: "Jurisdiction may not be sustained on a theory that the plaintiff has not advanced." *Merrell Dow Pharm. Inc. v. Thompson*, 478 U.S. 804, 809 n.6 (1986).[13]

"Thus, a case raising a federal patent-law defense does not, for that reason alone, 'arise under' patent law."

12. *See Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1987) ("the rule makes the plaintiff the master of the claim"); *Pan American Petroleum Corp. v. Superior Court*, 366 U.S. 656, 662 (1961) ("questions of exclusive federal jurisdiction . . . depend on the particular claims a suitor brings in a state court – how he casts his action"); *Great Northern Ry. Co. v. Alexander*, 246 U.S. 276, 281-82 (1918) (jurisdictional status of civil action cannot be affected by "subsequent pleadings by the defendant").

13. The Petitioner's complaint in this case does not invoke jurisdiction under 28 U.S.C. § 1338(a) (L2), although it could have done so.

Christianson, 486 U.S. at 809. This principle has been applied in a wide spectrum of contexts. *See, e.g.*, *Rivet v. Regions Bank*, 522 U.S. 470, 475 (1998); *Caterpillar Inc. v. Williams*, 482 U.S. 386, 399 (1987); *Pan American Petroleum Corp. v. Superior Court*, 366 U.S. 656, 663 (1961); *Louisville & Nashville R. Co. v. Mottley*, 211 U.S. 149, 152 (1908). The cases are, likewise, legion that hold a counterclaim in a defendant's answer[14] is irrelevant to whether a civil action is one "arising under" federal law for jurisdictional purposes.[15]

14. FED. R. CIV. P. 3 provides that "[a] civil action is commenced by filing a complaint with the court." FED. R. CIV. P. 13 provides that a "counterclaim" shall or may be "state[d]" as part of a "pleading" permitted by the rules, including an answer. Thus, under the structure of the Federal Rules of Civil Procedure, a "counterclaim" by definition forms part of a "pleading" in an already-commenced "civil action."

15. *E.g.*, *Metro Ford Truck Sales, Inc. v. Ford Motor Co.*, 145 F.3d 320, 326-27 (5th Cir. 1998); *Texas v. Walker*, 142 F.3d 813, 816 n.2 (5th Cir. 1998); *Shannon v. Shannon*, 965 F.2d 542, 545-46 (7th Cir. 1992); *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1195 (7th Cir. 1987); *In re Adams*, 809 F.2d 1187, 1188 n.1 (5th Cir. 1987); *FDIC v. Elefant*, 790 F.2d 661, 667 (7th Cir. 1986); *Cook v. Georgetown Steel Corp.*, 770 F.2d 1272, 1275 (4th Cir. 1985); *Takeda v. Northwestern Mut. Life Ins. Co.*, 765 F.2d 815, 822 (9th Cir. 1985); *Marshall v. Gibson's Prods., Inc.*, 584 F.2d 784, 787 (5th Cir. 1978); *Rath Packing Co. v. Becker*, 530 F.2d 1295, 1303 (9th Cir. 1975), *aff'd sub nom. Jones v. Rath Packing Co.*, 430 U.S. 519 (1977); *Duckson, Carlson, Bassinger, LLC v. Lake Bank, N.A.*, 139 F. Supp. 2d 1117, 1118 (D. Minn. 2001); *Bell Atlantic Mobile, Inc. v. Zoning Board of Butler Township*, 138 F. Supp. 2d 668, 676 (W.D. Pa. 2001); *Archer v. Arms Tech., Inc.*, 72 F. Supp. 2d 784, 787 (E.D. Mich. 1999); *Wallace v. Weidenbeck*, 985 F. Supp. 288, 291 (N.D.N.Y. 1998); *Civil City of South Bend v. Consolidated Rail Corp.*, 880 F. Supp. 595, 598-99 (N.D. Ind. 1995); *Price v. Alfa*
(Cont'd)

As a practical litigation matter, a counterclaim is part of a defendant's defense to a plaintiff's suit,[16] and the federal courts have consistently held that "defenses" and "counterclaims" are both and equally extraneous to the existence of "arising under" jurisdiction (*see* note 15 *supra*). "There has never been a suggestion that a defendant could, by asserting an artful counterclaim, render a case removable in violation of the well-pleaded complaint rule." *Texas v. Walker*, 142 F.3d 813, 816 n.2 (5th Cir. 1998).

In *Caterpillar Inc. v. Williams*, 482 U.S. 386 (1987), this Court reiterated that the "paramount policies embodied in the well-pleaded complaint rule" include the principles that (1) "the plaintiff is the master of the complaint" and (2) "a federal question must appear on the face of the complaint." *Id.* at 398-99. These "bright line" principles are basic to federal court plaintiffs' long-established rights to decide both (1) "what jurisdiction [they] will appeal to",

(Cont'd)
Mut. Ins. Co. 877 F. Supp. 597, 600 (M.D. Ala. 1995); *Reed v. Cohen*, 876 F. Supp. 25, 28 (E.D.N.Y. 1995); *Stone v. Williams*, 792 F. Supp. 749, 753 (M.D. Ala. 1992); *Commercial Sales Network v. Sadler-Cisar, Inc.*, 755 F. Supp. 756, 759 (N.D. Ohio 1991); *Boone v. DuBose*, 718 F. Supp. 479, 486 (M.D. La. 1988); *Ident Corp. of America v. Wendt*, 638 F. Supp. 116, 117 (E.D. Mo. 1987); *Video Connection of America, Inc. v. Priority Concepts, Inc.*, 625 F. Supp. 1549, 1551 n.4 (S.D.N.Y. 1986). In addition to the reported decisions cited above and in the text, numerous unreported decisions (available in on-line search services) are to the same effect, holding that a defendant's counterclaim cannot render a civil action one "arising under" federal law.

16. "Part of the philosophy of every successful trial lawyer is that 'the best defense is a good offense.'" *McDonald v. Credithrift of America, Inc.*, 661 F.2d 69, 70 (5th Cir. 1981) (Clark, J. dissenting).

Healy, 237 U.S. at 480; and (2) "what law [they] will rely upon", *The Fair*, 228 U.S. at 28. If a defendant, by serving an answer containing a counterclaim, could defeat a plaintiff's choice of law or forum, then, in the words of this Court, "the plaintiff would be master of nothing." *Caterpillar*, 482 U.S. at 399.[17] It would also destroy the clarity and ease of administration of long-standing jurisdictional principles.

The controlling significance of a plaintiff's well-pleaded complaint as the determinant of federal court jurisdiction, both original and appellate, is also reflected in the principle that a case "cannot be converted into a removable one by evidence of the defendant or by an order of the court upon any issue tried upon the merits, but that such conversion can only be accomplished by the voluntary amendment of his pleadings by the plaintiff. . . ." *Great Northern Ry. Co. v. Alexander*, 246 U.S. 276, 281 (1918), *cited in Caterpillar*, 482 U.S. at 392 n.7. In *Great Northern*, this Court held that a state court retained jurisdiction to decide a case that was non-removable based on the allegations of the plaintiff's well-pleaded complaint, even though the proofs at trial later established that a basis for federal court jurisdiction had existed all along:

> [T]he plaintiff may by the allegations of his complaint determine the status with respect to removability of a case . . . when it is commenced,

17. Petitioner's decision to commence this case in the District Court for the District of Kansas was a deliberate choice, intended to invoke both the jurisdiction and the law of the Court of Appeals for the Tenth Circuit, including the final judgment of the Tenth Circuit in *Vornado I*. It may be noted that the Respondent is headquartered in Wichita, Kansas, which was also the venue where it commenced and lost *Vornado I*.

> and . . . this power to determine the removability of his case continues with the plaintiff throughout the litigation, so that whether such a case non-removable when commenced shall afterwards become removable depends not upon what the defendant may allege or prove or what the court may, after hearing upon the merits, *in vitum*, order, but solely upon the form which the plaintiff by his voluntary action shall give to the pleadings in the case as it progresses towards a conclusion.

246 U.S. at 282.

II. THE FEDERAL CIRCUIT ERRED IN DETERMINING THAT THIS CIVIL ACTION IS A "PATENT CASE" FOR PURPOSES OF 28 U.S.C. §§ 1338(a) AND 1295(a)(1).

It is undisputed that the Petitioner's complaint in this action (L1-86) does not plead any claim that "arises under" federal patent law within the meaning of 28 U.S.C. § 1338(a), as construed by this Court in *Christianson*. Yet the Federal Circuit, over Petitioner's objection (L216, L228-34), took jurisdiction under 28 U.S.C. § 1295(a)(1) and summarily vacated a final judgment rendered in Petitioner's favor on a claim arising under the Lanham Act. The Federal Circuit apparently accepted, without comment (JA33-34), the Respondent's argument (L257-63) that its answer and counterclaim had ousted the Tenth Circuit of jurisdiction over Petitioner's suit.

The decision of the Federal Circuit in this case is antithetical to the "well-pleaded complaint rule" as articulated in *Christianson* and innumerable other decisions

of this Court. If the Federal Circuit's decision is allowed to stand, plaintiffs who commence civil actions in federal court will be anything but the "absolute master of what jurisdiction [they] will appeal to." *Healy*, 237 U.S. at 480, *quoted in Merrell Dow*, 478 U.S. at 809 n.6 (1986). In reality, as this case demonstrates, the Federal Circuit rule is that defendants purportedly control — and can unilaterally change — both the applicable law[18] and the appellate court that will determine any and every type of civil case — antitrust, contract, copyright, trademark, trade secret, defamation, false advertising, business tort, diversity — in which a defendant's answer might include a patent counterclaim of any nature, and no matter how marginal it might be.

In *DSC Communications Corp. v. Pulse Communications, Inc.*, 170 F.3d 1354 (Fed. Cir.), *cert. denied*, 528 U.S. 923 (1999), the Federal Circuit held that a

18. As noted above, the Federal Circuit has recently overruled a number of its own decisions and held that it would start applying "its own" law in determining various types of non-patent claims over which it has only pendent or non-exclusive jurisdiction. The Federal Circuit's announcement in *Midwest*, *supra*, that it no longer considered itself bound by regional Circuit law on product configuration "trade dress" questions, was admittedly what prompted this Respondent to attempt to mount a collateral attack on the final judgment in *Vornado I*.

The Federal Circuit's recently changed approach to choice-of-law unquestionably – if not avowedly – gives rise to "forum shopping opportunities between the Federal Circuit and the regional courts of appeals on [non-patent] claims." *Atari*, 747 F.2d at 1437 (quoting S. REP. No. 97-275 at 19-20 (1981)). *Cf. Van Dusen v. Barrack*, 376 U.S. 612, 639 (1964) (when venue is transferred under 28 U.S.C. § 1404(a), transferee court must apply law that would have been applied if there had been no transfer of venue).

defendant's assertion of a permissive counterclaim for alleged patent infringement was sufficient to bring a case within the scope of the Federal Circuit's exclusive jurisdiction under 28 U.S.C. § 1295(a)(1), regardless of whether a plaintiff's well-pleaded complaint alleges any claim "arising under" federal patent law. Thus, according to the Federal Circuit, a defendant can readily evade regional Circuit jurisdiction by asserting any sort of patent counterclaim against a plaintiff, including one that does not arise out of the same transactions or events that form the basis of the plaintiff's suit.

The Federal Circuit's interpretation of 28 U.S.C. § 1295(a)(1) purports to divest regional Circuits of jurisdiction to determine the merits of broad categories of civil actions commenced under federal or state laws having nothing to do with patents, their interpretation, infringement, or validity. Although "[i]t is possible to conceive of a rational jurisdictional system in which the answer as well as the complaint would be consulted before a determination is made whether the case 'arose under' federal law," such an approach to "arising under" jurisdiction has simply never been adopted by Congress or this Court, *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 10 n.9 (1983), and was not adopted by Congress when it enacted 28 U.S.C. § 1295(a)(1). *See Christianson*, 486 U.S. at 813-14.

The Federal Circuit's aberrant interpretation of the "well-pleaded complaint rule" traces its decision in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736 (Fed. Cir. 1990) (*en banc*). In *Aerojet*, the Federal Circuit took up the question whether 28 U.S.C. § 1295(a)(1) extended to a case in which "the complaint was not based on § 1338(a) but there is a counterclaim over which

the district court would have § 1338(a) jurisdiction if the counterclaim had been a complaint." *Id.* at 738-39. In answering this question in the affirmative, the Federal Circuit held that the "well-pleaded complaint rule" was "merely the name of the rule, not a statement of a principle of law," *id.* at 743, with the purported result that a defendant's answer containing a counterclaim could transform the basis of a District Court's jurisdiction and cut off regional Circuit jurisdiction over a plaintiff's suit:

> It would seem at best incongruous to hold that we have appellate jurisdiction when a well-pleaded patent infringement claim is the basis of a pleading labeled "complaint" but not when the identical well-pleaded claim is the basis of pleading labeled "counterclaim".

Id. at 742.

But contrary to the Federal Circuit's view, there is nothing whatever "incongruous" about the "plaintiff's traditional prerogative of forum selection — the well-established principle that the plaintiff is the master of the complaint." 14B C. WRIGHT, A. MILLER & E. COOPER, FEDERAL PRACTICE AND PROCEDURE § 3722, at 453 (3d ed. 1998) (citing authorities).[19] In *Christianson*, this Court

19. As noted above, the "well-pleaded complaint rule" often results in state courts hearing federal law counterclaims notwithstanding the federal courts' presumed superior familiarity with federal law questions. In all such cases involving a jurisdictionally sufficient counterclaim, it could be said, as the Federal Circuit did in *Aerojet*, that a defendant's counterclaim, "had it been filed as a complaint, would fully comply with the well-pleaded complaint rule." (Cont'd)

expressly held the Federal Circuit's jurisdiction excluded cases "where the well-pleaded *complaint* does not depend on patent law." *Christianson*, 486 U.S. at 814 (emphasis added). The Federal Circuit has simply flouted *Christianson's* clear holding that the "well-pleaded complaint rule" applies with full force to 28 U.S.C. §§ 1338(a) and 1295(a)(1), and entitles plaintiffs to regional Circuit review when, as in *Christianson* and in the present case, a plaintiff's well-pleaded complaint does not state any claim "arising under" federal patent law.

Aside from a suggestion that it would be "incongruous" for regional Circuits to hear appeals in antitrust, copyright, trademark, trade secret, or other non-patent cases in which a defendant's answer included a patent law counterclaim, the Federal Circuit justified its decision to take exclusive jurisdiction over all such cases on the ground that, in its view, "the basic purpose" of the "well-pleaded complaint rule" was merely to avoid "federal-state conflicts," *Aerojet*, 895 F.2d at 743-44 (quoting *Franchise Tax*, 463 U.S. at 10). From this premise, the Federal Circuit reasoned:

> No such conflicts are possible here, where we deal only with the direction of an appeal in a case already properly in the federal court system. Similarly, the plaintiff's right to choose a federal *trial forum* has already been fully exercised.

Id. at 744 (emphasis added).

(Cont'd)
895 F.2d at 742. But outside the Federal Circuit, the federal courts have consistently held that a defendant's counterclaim does not change the status of a civil action as being one "arising under," or not "arising under," federal law for jurisdictional purposes. *Cf. Shamrock Oil Corp. v. Sheets*, 313 U.S. 100, 104 (1941) (counterclaim falling within federal court original jurisdiction did not entitle plaintiff to remove case to federal court).

The above-quoted analysis was and is fundamentally at odds with *Christianson*. As noted above, this Court in *Christianson* specifically considered, and rejected, a suggestion that "our 'arising under' jurisprudence might . . . be inapposite" to the scope of the Federal Circuit's jurisdiction under 28 U.S.C. §§ 1338(a) and 1295(a)(1), for in the latter context, "our interpretation . . . will merely determine which of two federal appellate courts will hear the appeal." *Christianson*, 486 U.S. at 808 n.2. The plaintiffs in *Christianson* were held entitled to regional Circuit review of a judgment finding liability and awarding injunctive and damages relief under federal antitrust and state tort law, notwithstanding that the District Court in *Christianson* had invalidated nine (9) issued patents and had construed paragraph (2) of 35 U.S.C. § 112 as applied to the defendant's challenged actions. *Id.* at 807-14, 819. There was no "federal-state conflict" in *Christianson*, but the "well-pleaded complaint rule" was nevertheless held fully applicable and sufficient cause for vacating a judgment of the Federal Circuit.

Equally contrary to this Court's precedents was the Federal Circuit's suggestion that the "well-pleaded complaint rule" confers on plaintiffs merely a right to choose a "federal *trial* forum." *Aerojet*, 895 F.2d at 744 (emphasis added). The Federal Circuit did not cite, let alone distinguish, this Court's precedents holding that a plaintiff who files suit in federal court is "master" to decide both (1) "what jurisdiction he will appeal to"[20] and (2) "what law he will rely upon."[21]

20. *Merrell Dow*, 478 U.S. at 809 n.6 (quoting *Healy*, 237 U.S. at 480).

21. *Merrell Dow*, 478 U.S. at 809 n.6 (quoting *The Fair*, 228 U.S. at 25).

Far from being "fully exercised," *id.*, these long-established rights of federal court plaintiffs are effectively destroyed by the jurisdictional rule applied by the Federal Circuit in this case.

In further support of its conclusion that the "well-pleaded complaint rule" should be construed, instead, as a "well-pleaded complaint or well-pleaded answer and counterclaim rule," the Federal Circuit cited "Congress' goal of enhancing predictability and certainty of the patent laws." *Id.* at 745. But as the Federal Circuit has itself observed on occasion: "Congress was not concerned that an occasional patent law decision of a regional circuit court, or of a state court, would defeat its goal of increased uniformity in the national law of patents." *Speedco Inc. v. Estes*, 853 F.2d 909, 914 (Fed. Cir. 1988) (quoting *Atari, Inc. v. JS&A Group*, 747 F.2d 1422, 1432 (Fed. Cir. 1984) (*en banc*)).

On the contrary, by circumscribing the Federal Circuit's appellate jurisdiction to cases "arising under" federal patent law, as defined by the "well-pleaded complaint rule," Congress expressly provided that the goal of "uniformity" in patent law jurisprudence would have to accommodate, and be balanced against, traditional principles defining litigants' rights in federal court. A marginal and theoretical threat to the "uniformity" of federal patent jurisprudence surely is not so weighty an objective as to warrant jettisoning of the "well-pleaded complaint rule" and thereby potentially diverting to the Federal Circuit every conceivable type of case in which a defendant might assert a patent law counterclaim, in derogation of the appellate jurisdiction of the regional Circuits and the uniformity of jurisprudence outside the Federal Circuit.

The *Aerojet* decision also cited and relied on authorities holding that, when a defendant's answer includes a counterclaim, jurisdiction to decide the counterclaim can be "retained" notwithstanding that a plaintiff's complaint may be jurisdictionally defective or voluntarily dismissed. 895 F.2d at 742-43. But those authorities are patently inapposite to whether a defendant's answer or counterclaim operates to *change* the jurisdictional basis of a civil action commenced, as the present action was, by the filing of a *well-pleaded* complaint.[22] Under the numerous authorities cited above (*see* note 15 *supra*), the answer to the latter question is clearly "no."

The decision below well illustrates how the Federal Circuit's interpretation — and *de facto* rejection — of the "well-pleaded complaint rule" can lead not only to unfair and unpredictable results, but to enormous waste of judicial and party resources. The District Court found, in this case, that as of March 2000, there was a "clear conflict" between the law of the Federal Circuit and the law of the Tenth Circuit, as reflected in their respective decisions in the *Midwest* and *Vornado I* cases, 93 F. Supp. 2d at 1143 (JA95), but that this conflict did not warrant "a refusal to apply the law of collateral estoppel in this action," in part because "[t]he Tenth Circuit law upon which that [*Vornado I*] judgment was based has not changed." *Id.*

22. When an answer and counterclaim has been pleaded to a complaint that later is dismissed voluntarily or for lack of jurisdiction, it is an entirely mechanical and ministerial exercise whether a District Court takes up the counterclaim as pleaded or requires that the party originally named as a defendant file a complaint alleging the substance of the existing counterclaim. Either way, the original plaintiff's choice of law or forum is not being disturbed, and the defendant's cause of action is treated the same as it would have been treated if the dismissed complaint had not been filed.

In *TrafFix*, this Court expressly resolved the "conflict" that had existed between the law of the Tenth and Federal Circuits, 121 S. Ct. at 1259, and did so by (1) rejecting the standard of "functionality" articulated by the Federal Circuit in *Midwest*, and (2) embracing a standard of "functionality" that was fully consistent with both the holding and the reasoning of the Tenth Circuit in *Vornado I*. *Id.* at 1261-62.

The *TrafFix* decision eliminated any plausible argument that the law of the Tenth Circuit had "changed" materially since the judgment in *Vornado I*; yet Petitioner, the prevailing plaintiff in the District Court, nevertheless had its judgment of non-infringement summarily stripped away by a two-page Order of the Federal Circuit that did not address, at all, any of the jurisdictional or merits arguments made by either party (JA33-34). Instead, the Federal Circuit summarily vacated the summary judgment that had been awarded to Petitioner and directed the District Court to consider whether, in view of *TrafFix*, the law of the Tenth Circuit might have changed in such a way as to permit a collateral attack on a prior judgment of the Tenth Circuit in a case arising under federal trademark law.

The Federal Circuit's decision apparently contemplates that, after the District Court attempts to divine how the Tenth Circuit would regard the state of its own law in view of the *TrafFix* decision, the case would return to the Federal Circuit for additional divination efforts at determining the law of the Tenth Circuit. The one court that will never, in the Federal Circuit's view, have the opportunity to determine the legal effect of the judgment in *Vornado I*, is the court that issued it: the Tenth Circuit.

It is not difficult to see how the interests of justice, judicial economy and efficiency, and stability of prior final judgments, have all been sacrificed in this case as a consequence of the Federal Circuit's aberrant interpretation of 28 U.S.C. §§ 1295(a)(1) and 1338(a) and its refusal to acknowledge, let alone faithfully apply, the "well-pleaded complaint rule" as substantially limiting the scope of the Federal Circuit's appellate jurisdiction as directed by this Court in *Christianson*.

CONCLUSION

For the reasons set forth above, the judgment of the Court of Appeals for the Federal Circuit should be reversed, and the cause remanded to the Tenth Circuit for further proceedings. Alternatively, the Court should affirm the District Court's award of summary judgment to Petitioner.

Respectfully submitted,

JAMES W. DABNEY
Counsel for Petitioner
1155 Avenue of the Americas
New York, New York 10036
(212) 790-9090

PAUL IZZO
TIMOTHY P. GALLOGLY
THE HOLMES GROUP, INC.
Milford Massachusetts

ARTHUR R. MILLER
1755 Massachusetts Avenue
Cambridge, Massachusetts

Marcia H. Sundeen
Carol M. Wilhelm
PENNIE & EDMONDS LLP
New York, New York
Of Counsel

January 4, 2002